

**MINUTES
of the
FIRST MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**June 17, 2008
Room 322, State Capitol
Santa Fe**

The first meeting of the Economic and Rural Development Committee (ERD) was called to order at approximately 10:15 a.m. by Representative Mary Helen Garcia, chair, on June 17, 2008 in Room 322 of the State Capitol in Santa Fe, New Mexico.

Present

Rep. Mary Helen Garcia, Chair
Sen. Bernadette M. Sanchez, Vice Chair
Rep. Andrew J. Barreras
Rep. Jose A. Campos
Rep. Ernest H. Chavez
Sen. Dianna J. Duran
Sen. Mary Jane M. Garcia
Rep. Patricia A. Lundstrom
Sen. Richard C. Martinez

Absent

Rep. Richard J. Berry
Sen. Phil A. Griego
Rep. Dianne Miller Hamilton
Sen. Clinton D. Harden, Jr.
Rep. Brian K. Moore
Sen. John Pinto
Sen. William E. Sharer

Advisory Members

Rep. Nora Espinoza
Rep. William J. Gray
Rep. John A. Heaton
Sen. Carroll H. Leavell
Rep. Andy Nunez
Rep. John Pena
Sen. Lidio G. Rainaldi
Rep. Debbie A. Rodella
Rep. Richard D. Vigil

Rep. Nathan P. Cote
Rep. Daniel R. Foley
Sen. Stuart Ingle
Sen. Timothy Z. Jennings
Rep. James Roger Madalena
Sen. Howie C. Morales
Sen. Steven P. Neville
Sen. Shannon Robinson
Sen. John C. Ryan

Staff

Kate Ferlic
Aldis Philipbar
Tom Bunting

Guests

The guest list is in the meeting file.

Tuesday, June 17

Interim Committee Protocols

Paula Tackett, director, Legislative Council Service (LCS), addressed questions and concerns regarding interim committee protocols. She began with the issue of obtaining a quorum. She said that a quorum consists of one-half plus one of the voting members assigned to the committee. She said that the speaker of the house and the president pro tempore have the authority to appoint voting members to the committee. Once a quorum is established, it is presumed to exist. She also said that a committee can dissolve into a subcommittee to hear testimony and for purposes of reimbursement. A subcommittee consists of a chair or vice chair, one house Democrat, one house Republican, one senate Democrat and one senate Republican. She added that members may resign at any time. Only voting members are allowed to vote. She then discussed the blocking provision, which states that no action shall be taken if a majority of members from one house votes against the measure. Ms. Tackett addressed issues related to the sound systems in the committee rooms. The sound systems adjust automatically and are easily disrupted by background noise. If a committee member is having trouble hearing, Ms. Tackett suggested checking for excessive background noise (e.g., side conversations, paper rustling, typing, etc.). She also noted that laptop screens block the microphones. She said that the microphones should be turned off until a member is ready to speak to avoid feedback. Finally, Ms. Tackett discussed the interim committee calendar. She said that meeting conflicts are avoided as best as possible during the calendar creation. She added that any changes to the calendar must be approved by the Legislative Council.

2008 Legislation and State Rankings — Summary

Kate Ferlic, staff attorney, LCS, updated the committee on legislation passed during the 2008 session. She said that 107 bills passed, several of which were endorsed by the ERD. The following endorsed bills passed during the session:

- HB 199 — requires contractors to hold consumer protection bonds;
- SB 174 — extends the high-wage job tax credit to 2015;
- HB 387 — railroad/diesel gross receipts tax exemption (remains contingent on construction); and
- HM 46/SM 36 — a memorial to study pre-apprenticeship programs.

The following endorsed bills did not pass:

- SB 99 and HB 386 — both related to the Spaceport;
- HM 65 — new interim committee to look at regulatory reform; and
- HB 21 — Home Loan Protection Act.

Ms. Ferlic noted that there were several bills that were not endorsed by the committee, but that were relevant to economic and rural development. The following relevant bills passed:

- SB 116 and SB 177 — property taxes;
- SB 164 — the liquor excise tax; and
- SB 66 — Minimum Wage Act exemptions.

Ms. Ferlic discussed bills that were introduced and relevant to economic and rural

development, but that did not pass. These bills include:

- House Taxation and Revenue Committee Substitute for HB 618;
- House Health and Government Affairs Committee Substitute for Hb 661;
- SB 43;
- HB 276; and
- HB 211.

The Uranium Legacy Act, SB 487, passed both houses, but was vetoed by the governor due to inadequate funding.

The committee asked Ms. Ferlic to find out how many bills died in the Senate Finance Committee.

Ms. Ferlic then discussed New Mexico state rankings in the areas of education and economic development. She said that New Mexico high school graduates' salaries are on par with the national average. However, the salaries of those who have a higher level of education are lower than the national average. There is a 3.5 percent unemployment rate, and the state is ranked forty-fifth out of 50 in median income. The state was ranked seventh best for business and third best for small tech businesses. New Mexico was ranked eighth in the number of currently enrolled science and engineering students, but forty-fifth in manufacturing work force training. Ms. Ferlic added that the national laboratories and universities bring a lot of research and development money into the state. She also said that New Mexico is ranked fifteenth for venture capitalism and that it is relatively inexpensive to do business in the state.

Economic Development Department — Initiative Update

Daniela Glick, deputy secretary of economic development, began by discussing the Economic Development Department (EDD) secretary's priorities. She said that those priorities include:

- rural economic development;
- technology-based economic development;
- community development and capacity building;
- film and media expansion;
- international trade and foreign direct investments;
- small business support programs;
- sustainable economic development; and
- private and public partnerships.

She said that New Mexico is currently ranked twenty-fourth in personal income growth, seventeenth in job growth, ninth in lowest unemployment rate and twelfth in economic growth (by gross domestic product). Ms. Glick said that Secretary of Economic Development Fred Mondragon is committed to working with every community in the state one-on-one.

To date, the EDD has created 4,947 jobs in the state. International business has increased, with 21 international transactions to date, including successful business development

missions to Japan, China, Hong Kong, Taiwan, Turkey, Israel and Canada. In addition, the state has expanded services to Europe through a new representative in Germany and key agreements with Japan's Ministry of Economy, Trade and Industry, the U.S. India Business Alliance and Israel's Ministry of Labor, Trade and Industry. Ms. Glick said that eight New Mexico businesses participated in the Monterrey Commercial Trade Mission, that the Santa Teresa Border Crossing set a commercial traffic record and that \$14 million in federal funds have been secured for Santa Teresa in preparation for the Union Pacific rail yard. In addition, three new *maquiladora* suppliers are located in the border region, and New Mexico conducted \$250 million in trade with Mexico.

The economic impact of the film industry in New Mexico exceeded \$600 million and created 141,394 film industry worker-days. Using Job Training Incentive Program (JTIP) funds, The film and multi-media training program (JTIP funds) included 429 participants with 25 projects and over \$1 million in obligated funds. The JTIP was allocated \$11.6 million for FY08 and created 1,978 new jobs with an average wage of \$14.25 per hour.

Ms. Glick added that there are several projects in various stages of development around the state, including Fort Sumner Meat Processing, Healthy Buildings of New Mexico in Las Vegas, Bicycle Technologies International in Santa Fe and Union Gas Services in Jal. Ms. Glick also discussed the MainStreet program, stating that there are new start-ups in Deming and Lovington and 18 affiliated projects and that over \$18 million of private sector funds have been reinvested in MainStreet projects. Projects she also discussed the "Arts and Culture Districts", which is an interagency initiative between EDD, the Cultural Affairs Department and the Tourism Department. Resources include organization development, physical planning, asset mapping and cultural planning. She said that the interagency investment per community for two years will be approximately \$170,000 for technical assistance and planning resources, including a capital outlay master planning grant. Ms. Glick then updated the committee on the Business Incubator Program. She said that the EDD certified New Mexico's first rural business incubator in Clovis. She said that \$75,000 in capital outlay funds was allocated to the Santa Fe Business Incubator for building upgrades, and \$110,000 was allocated in operational funding grants to the Quality Center for Business in Farmington, the South Valley Economic Development Center, the Santa Fe Business Incubator and the Clovis/Curry County Business Center. She said that three research grants were also provided in the amount of \$10,000 each.

Ms. Glick discussed the FY09 EDD objectives with the committee. The EDD's objectives include:

- serving frontier communities more effectively;
- increased international investment initiatives;
- more MainStreet resources for more communities;
- assess statewide economic development infrastructure needs and target capital outlay to fill gaps;
- quality jobs for a shrinking work force; and
- continued emphasis on target industry clusters, including clean energy, digital media and film services and aviation and aerospace.

The preliminary legislative priorities for the EDD include \$20 million for the JTIP, \$15 million for the Economic Development Revolving Fund, MainStreet expansion to meet demand for services and more arts and culture districts. The current JTIP cash balance is \$11,412,450, with obligations of \$13,293,746. The FY09 appropriation was \$7,000,000, with a starting unobligated balance of \$5,118,704, including \$2 million for a film training program. There are 13 new communities asking for FY09 MainStreet start-up designation and funding. The minimum state investment for a start-up is \$50,000 per year. The minimum state investment per affiliated community is \$30,000 per year. Ms. Glick said that 11 new non-MainStreet communities have inquired about state authorization and funding.

In response to questions from the committee, Ms. Glick said that the governor's poverty task force will be looking at very specific issues, especially those related to a recession. She also said that most MainStreet businesses are usually small, retail mom-and-pop shops, so creating 500 to 600 jobs is no small feat. It was suggested that an economist be added to the EDD. It was also suggested that the committee add "lack of housing" to the work plan.

2008 Interim Work Plan and Meeting Schedule

The committee reviewed the work plan and agreed to:

1. evaluate the impact of the home mortgage crisis in New Mexico, including a review of the Home Loan Protection Act, foreclosure rates, predatory lending practices, congressional solutions and potential state initiatives. (This will be limited if a consumer lending practices committee is approved.);
2. examine statewide opportunities in vocational education and the needs of New Mexico's job market. Lack of a well-trained work force is often cited as one of the barriers to business recruitment. The committee plans to evaluate the potential of partnering schools and industry to create pre-apprenticeship programs that feed directly into certified apprenticeship programs;
3. review the practical effects of the tax increment development district statute in New Mexico, including a review to determine if amendments are necessary to accomplish the state's goals in creating the districts. The committee plans to receive presentations from SunCal and Mesa Del Sol;
4. oversee the efforts of the EDD to attract economic activity to New Mexico;
5. continue to examine the needs of rural communities;
6. assess the return on investment for tax credits encouraging economic development, including the film and energy industries and the JTIP;
7. continue to evaluate collaboration opportunities with the national laboratories;

8. examine the Uniform Law Commission's new model Administrative Procedures Act and develop an approach to improving regulatory processes to improve agency functioning and alleviate burdens on businesses;
9. investigate predatory lending practices, including car title loans and payday lending (if the Consumer Lending Practices Committee is not approved);
10. conduct a review of New Mexico's racing facilities;
11. receive an update from the governor's meetings with Mexican President Felipe Calderon relating to economic development on the border as well as review international trade opportunities;
12. examine the new market loan program administered by the New Mexico Finance Authority;
13. evaluate emerging economic sectors with a focus on energy in New Mexico, identify incentives to attract new businesses and investment and examine methods to cultivate opportunities for existing businesses;
14. review the economic development impact of transportation infrastructure; and
15. continue to study work force training issues, including identifying the state's strengths and weaknesses as well as the needs of industry.

PROPOSED MEETING SCHEDULE AND BUDGET

<u>Date</u>	<u>Location</u>	<u>Voting Members</u>	<u>Advisory Members</u>
June 17	Santa Fe	\$8,867.42	\$9,957.27
July 2-3	Albuquerque	7,948.67	9,583.88
August 5-7	Gallup	12,427.65	13,238.70
September 3-4	Santa Teresa/Sunland Park	11,428.34	11,879.33
October 6-7	Fort Sumner	10,350.16	10,283.01
November 13-14	Santa Fe	<u>8,867.42</u>	<u>9,957.27</u>
Total:		\$59,889.66	\$64,899.46

Allison Cooper, New Mexico Restaurant Association, requested that the Pro-Start Program be added to the work plan. T.J. Trujillo, ACI, requested that regulatory reform be added.

The committee agreed to ask the Legislative Council for permission to travel in October

to Fort Sumner or Carlsbad.

There being no further business, the committee adjourned at 12:35 p.m.

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